

**THE HOUSING AND REDEVELOPMENT COMMISSION
OF THE CITY OF HOT SPRINGS, SOUTH DAKOTA
(A COMPONENT UNIT OF THE CITY OF
HOT SPRINGS, SOUTH DAKOTA)**

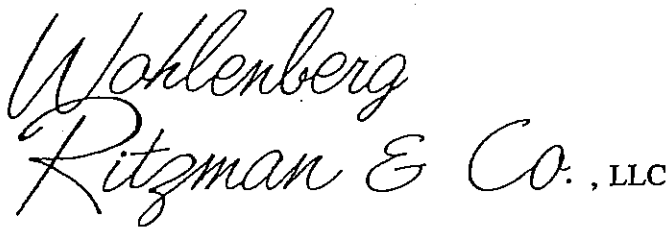
**FINANCIAL STATEMENTS
(Audited)**

DECEMBER 31, 2011

**THE HOUSING AND REDEVELOPMENT COMMISSION
OF THE CITY OF HOT SPRINGS, SOUTH DAKOTA**

TABLE OF CONTENTS

	Page
Independent Auditor's Report	1
Management's Discussion and Analysis	3
Financial Statements	
Balance Sheet	10
Statement of Revenues, Expenses and Changes in Fund Net Assets . . .	11
Statement of Cash Flows	12
Notes to Financial Statements	14
Supplementary Information	29
The Financial Data Schedule	
Balance Sheets	30
Income Statements	33
Memo Account Information	37
Schedule of Expenditures of Federal Awards.	40
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government</i> <i>Auditing Standards</i>	41
Independent Auditor's Report on Compliance With Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133.	43
Schedule of Prior Audit Findings and Questioned Costs.	45
Schedule of Findings and Questioned Costs.	46



certified public accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
The Housing and Redevelopment Commission
of the City of Hot Springs, South Dakota

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of **The Housing and Redevelopment Commission of the City of Hot Springs, South Dakota (a component unit of the City of Hot Springs, South Dakota)** (Housing Commission), as of and for the 18 months ended December 31, 2011, which collectively comprise the Housing Commission's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Housing Commission's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of The Housing and Redevelopment Commission of the City of Hot Springs, South Dakota, as of December 31, 2011, and the respective changes in financial position and cash flows for the 18 months then ended in conformity with accounting principles generally accepted in the United States of America.

Madison Office

112 South Egan Avenue
PO Box 505
Madison, SD 57042
605-256-9165
Fax: 605-256-2872

Yankton Office

207 Douglas Avenue
PO Box 1018
Yankton, SD 57078
605-665-4401
Fax: 605-665-0592

Sioux Falls Office

507 West 10th Street
PO Box 876
Sioux Falls, SD 57101
605-336-0372
Fax: 605-336-6842

Member of

Private Companies Practice Section
American Institute of CPAs
National Associated CPA Firms
South Dakota Society of CPAs

In accordance with *Government Auditing Standards*, we have also issued our report dated September 25, 2012 on our consideration of the Housing Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United State of America require that the management's discussion and analysis information on pages 3 through 9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Housing Commission's financial statements as a whole. The Housing Commission's financial data schedule (FDS) is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The FDS and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards general accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Wohlenberg Ritzman + Co., LLC

Yankton, South Dakota
September 25, 2012

**THE HOUSING AND REDEVELOPMENT COMMISSION
OF THE CITY OF HOT SPRINGS, SOUTH DAKOTA
December 31, 2011**

MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)

USING THIS ANNUAL REPORT

The Hot Springs Housing and Redevelopment Commission offers readers of the Authority's financial statements this overview and analysis of the financial activities for the 18 months ended December 31, 2011.

The primary focus of the Authority's financial statement is on the statements of its single enterprise fund encompassing all programs administered by The Hot Springs Housing and Redevelopment Commission. This information contained herein this MD&A should be considered in conjunction with the Authority's basic financial statements and related notes to the financial statements.

The Authority has two individual programs as follows:

Conventional Public Housing – Under the Conventional Public Housing Program, the Authority rents units that it owns to low-income households. The Conventional Public Housing Program is operated under an Annual Contributions Contract (ACC) with HUD, and HUD provides Operating Subsidy and Capital Grant funding to enable the PHA to provide the housing at a rent that is based upon 30% of household income. The Conventional Public Housing Program also includes the Capital Fund Program, which is the primary funding source for physical and management improvements to the Authority's properties.

Business Activity – The Evans Property is a 85 unit apartment complex located in Hot Springs, South Dakota and is regulated by the South Dakota Housing Development Authority (SDHDA) for rent charges and operating methods.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial statements are designed to be corporate-like in nature and activities are shown for the entire Authority.

These Statements include a Balance Sheet. The Balance Sheet reports all financial and capital resources for the Authority. The statement is presented in the format where assets, equals liabilities, plus "Net Assets", formerly known as equity. Assets and liabilities are presented in order of liquidity, and are classified as "Current" (convertible into cash within one year), and "Non-current".

Over time increases or decreases in net assets may serve as an useful indicator of whether the financial situation of the Authority is improving or deteriorating. Net Assets are reported in three broad categories:

- Invested in Capital Assets, Net of Related Debt: This component of net assets consists of all capital assets, reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

- Restricted Net Assets: This component of net assets consists of restricted assets, when constraints are placed on the asset by creditors (such as debt covenants), grantors, contributors, laws, regulations, etc.
- Unrestricted Net Assets: Consists of net assets that do not meet the definition of the above categories. Unrestricted net assets is basically the amount of funds available for future year appropriations.

The financial statements also include a Statement of Revenues, Expenses and Changes in Fund Net Assets (similar to an Income Statement). This Statement includes operating revenues, such as rental income, operating expenses such as administrative, utilities, and maintenance, and depreciation, and non-operating revenue and expenses, such as grant revenue, investment income and interest expense.

The focus of the Statement of Revenues, Expenses and Changes in Fund Net Assets is the "Change in Net Assets", which is similar to Net Income or Loss.

Finally, a Statement of Cash Flows is included, which discloses net cash provided by, or used for operating activities, investing activities, non-capital financing activities, and from capital and related financing activities.

FINANCIAL HIGHLIGHTS

- The Authority's total net assets decreased from \$2,114,774 to \$2,059,821, a decrease of \$54,953 or 2.6%. The total assets increased by \$1,540,575 or 39.1%.
- The unrestricted net assets balance is listed as \$142,727 at December 31, 2011. This represents an increase of \$72,469, or 103% from the previous 18 months.
- Total revenues increased from \$1,228,615 to \$1,618,852, an increase of \$390,237 or 31.8%.
- Total expenses increased by \$608,023 from \$1,065,782 to \$1,673,805 for the current 18 months. This represents an increase of 57%.

The following table reflects the condensed Balance Sheet compared to the prior 18 months year end. The Authority is engaged only in Business-Type Activities.

Table 1
Condensed Balance Sheet

	<u>2011</u>	<u>2010</u>	<u>Change</u>
Current and Other Assets	\$ 469,068	\$ 516,695	\$ (47,627)
Capital Assets	<u>5,013,985</u>	<u>3,425,783</u>	<u>1,588,202</u>
Total Assets	<u>\$ 5,483,053</u>	<u>\$ 3,942,478</u>	<u>\$ 1,540,575</u>
Current and Other Liabilities	\$ 265,081	\$ 282,045	\$ (16,964)
Long-Term Liabilities	<u>3,158,151</u>	<u>1,545,659</u>	<u>1,612,492</u>
Total Liabilities	<u>3,423,232</u>	<u>1,827,704</u>	<u>1,595,528</u>
Invested in Capital Assets,			
Net of Related Debt	1,732,496	1,753,156	(20,660)
Restricted Net Assets	184,598	291,360	(106,762)
Unrestricted Net Assets	<u>142,727</u>	<u>70,258</u>	<u>72,469</u>
Total Net Assets	<u>2,059,821</u>	<u>2,114,774</u>	<u>(54,953)</u>
Total Liabilities and Net Assets	<u>\$ 5,483,053</u>	<u>\$ 3,942,478</u>	<u>\$ 1,540,575</u>

Major Factors Affecting the Balance Sheet

Current assets increased by \$59,776 from the previous year. This increase was due mainly to receivable from HUD decreasing \$39,000 and cash being increased by \$94,000. The other assets labeled mortgage escrow deposits held in trust decreased from \$291,360 to \$184,598, a decrease of \$106,762 from June 30, 2010 to December 31, 2011. The changes were property tax escrow increasing \$21,475, the painting reserve increasing \$7,362, the reserve for residual receipts increasing \$4,067, the reserve for replacements decreasing by \$118,875, and the reserve for hazardous insurance decreasing \$20,791.

Capital assets increased \$1,588,202 from 2010 to 2011 because capital asset purchases exceeded depreciation expense. For more detail, see "Capital Assets and Debt Administration."

The current liabilities increase is due mainly to accounts payable – vendor bills for capital asset improvements completed before December 31, 2011.

Table 2 presents details on the change in Unrestricted Net Assets.

Table 2
Changes in Unrestricted Net Assets

Unrestricted Net Assets - Beginning		\$	70,258
Change in net assets	\$	(54,953)	
Decrease in invested in capital assets, net of related debt		20,660	
Decrease in restricted net assts		<u>106,762</u>	<u>72,469</u>
Unrestricted Net Assets - Ending		\$	<u>142,727</u>

While the results of operations are a significant measure of the Authority's activities, the analysis of the changes in Unrestricted Net Assets provides a clearer change in financial well being.

Table 3 compares the condensed revenues, expenses and change in fund net assets for the current and previous fiscal years. The Authority is engaged only in Business-Type Activities.

TABLE 3
Summary Statement of Revenues , Expenses and
Changes in Fund Net Assets

	<u>2011</u>	<u>2010</u>	<u>Change</u>
Revenues:			
Tenant Revenues	\$ 870,978	\$ 532,991	\$ 337,987
HUD Operating Grants	641,064	391,462	249,602
Capital grants	38,412	214,125	(175,713)
Investment Income	10,367	10,983	(616)
Other Income	58,031	79,054	(21,023)
Total Revenues	<u>1,618,852</u>	<u>1,228,615</u>	<u>390,237</u>
Expenses:			
Administration	321,147	190,728	130,419
Tenant Services	595	2,989	(2,394)
Utilities	447,392	278,125	169,267
Maintenance	312,426	242,703	69,723
Protective Services	24,540	7,300	17,240
General Expense	107,089	70,808	36,281
Interest Expense	160,270	116,652	43,618
Depreciation	300,346	156,477	143,869
Total Expenses	<u>1,673,805</u>	<u>1,065,782</u>	<u>608,023</u>
Change in Net Assets	(54,953)	162,833	(217,786)
Beginning Net Assets	<u>2,114,774</u>	<u>1,951,941</u>	<u>162,833</u>
Ending Net Assets	<u>\$ 2,059,821</u>	<u>\$ 2,114,774</u>	<u>\$ (54,953)</u>

Major Factors Affecting the Statement of Revenues, Expenses and Changes in Fund Net Assets

Table 3 2011 column reflects a reporting period of 18 months while the 2010 column is for a 12 month period. Tenant revenues increased by approximately 9% due to improvements made to dwelling units at both locations. HUD operating grants increased by 9%, also. The capital grants decreased due mainly to completion of American Disabilities Act modifications to 6 units at the Brookshire. The decrease of other income was due to not receiving grants from Western South Dakota Community Action relating to refrigerator replacements.

Administrative and maintenance increases at the Brookshire relate to salaries and benefits.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of December 31, 2011, the Authority had \$5,013,985 invested in a variety of capital assets as reflected in the following schedule, which represents a net increase (addition, deductions and depreciation) of \$1,588,202 since June 30, 2010.

Table 4 compares capital assets for the current and previous reporting periods.

Table 4
Capital Assets
Net of Depreciation

	<u>2011</u>	<u>2010</u>	<u>Change</u>
Land	\$ 108,775	\$ 108,775	\$ -
Buildings	5,773,253	3,842,416	1,930,837
Equipment	140,319	157,819	(17,500)
Construction in Progress	16,463	63,470	(47,007)
Accumulated Depreciation	(2,242,656)	(1,964,528)	(278,128)
Idle capt. assets, net depr	<u>1,217,831</u>	<u>1,217,831</u>	<u>-</u>
Capital Assets, Net	<u>\$ 5,013,985</u>	<u>\$ 3,425,783</u>	<u>\$ 1,588,202</u>

Table 5
Changes in Capital Assets

Capital Assets - Beginning		\$3,425,783
Increase(Decrease) Building Imp.	\$ 1,930,837	
Increase(Decrease) Furniture/Equip	(17,500)	
Depreciation	(278,128)	
Construction in Progress	<u>(47,007)</u>	<u>1,588,202</u>
Capital Assets - Ending		<u>\$5,013,985</u>

The Evans Property building additions consisted of building improvements and modifications totaling \$1,780,660; boiler replacement \$158,130 and elevator improvements totaling \$240,570.

Additional equipment purchases included refrigerators and carpet.

Construction in progress consists of water delivery system replacement totaling \$8,261 and carpet and appliance replacements amounting to \$8,202.

Debt Outstanding

As of December 31, 2011, the Authority had \$3,281,489 in notes payable outstanding compared to \$1,672,627 in the prior 18 months. The Housing Authority had new debt totaling \$1,800,000 to finance the building improvements at the Evans Property.

ECONOMIC FACTORS

The specific economic factors that can affect the Authority are as follows:

- Federal funding of the Department of Housing and Urban Development
- Local inflationary, recessionary and employment trends, which can affect resident incomes and therefore the amount of rental income
- Inflationary pressure on utility rates, supplies and other costs

Due to the size of the Authority, even a small change in one of these factors can have a significant affect on the authority. Major changes in funding primarily involve capital expenditures as indicated in the discussion above. Other factors have remained fairly steady, but do require continuing monitoring due to the affect they can have on the Authority.

FINANCIAL CONTACT

The individual to be contacted regarding this report is Arlo D. Smith, Fee Accountant for the Housing and Redevelopment Commission of the City of Hot Springs, South Dakota, at 605-229-0180. Specific requests may be submitted to Arlo D Smith, RAM Enterprises Inc., PO Box 1270, Aberdeen, SD 57402-1270.

**THE HOUSING AND REDEVELOPMENT COMMISSION
OF THE CITY OF HOT SPRINGS, SOUTH DAKOTA
BALANCE SHEET
DECEMBER 31, 2011**

	<u>Primary Government</u>	<u>Component Unit</u>
ASSETS		
Current assets:		
Cash	\$ 190,811	\$ 175,149
Certificates of deposit	44,190	188,869
Receivables:		
Tenants less allowance for doubtful accounts of \$ 870	2,124	121
HUD	218	-
Interest receivable	212	312
Prepaid expenses	23,000	-
Inventories	20,358	-
Total current assets	<u>280,913</u>	<u>364,451</u>
Noncurrent Assets:		
Capital assets:		
Capital assets not being depreciated	125,238	23,021
Capital assets being depreciated, net of depreciation	3,670,916	237,997
Idle capital assets, net of depreciation	1,217,831	-
Total capital assets, net	5,013,985	261,018
Mortgage escrow deposits held in trust	184,598	-
Unamortized loan fees	3,557	-
Total noncurrent assets	<u>5,202,140</u>	<u>261,018</u>
Total assets	<u>\$ 5,483,053</u>	<u>\$ 625,469</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable - vendors	\$ 34,209	\$ 3,971
Accounts payable - HUD	-	625
Due to other governments	33,205	1,133
Accrued interest payable	8,637	-
Prepaid rent	968	-
Tenant security deposits	48,105	3,026
Current portion of notes payable	128,398	-
Current portion of accrued compensated absences	11,559	-
Total current liabilities	<u>265,081</u>	<u>8,755</u>
Noncurrent liabilities:		
Notes payable	3,153,091	-
Accrued compensated absences	5,060	-
Total noncurrent liabilities	<u>3,158,151</u>	<u>-</u>
Total liabilities	<u>3,423,232</u>	<u>8,755</u>
Net assets:		
Invested in capital assets, net of related debt	1,732,496	261,018
Restricted	184,598	-
Unrestricted	142,727	355,696
Total net assets	<u>2,059,821</u>	<u>616,714</u>
Total liabilities and net assets	<u>\$ 5,483,053</u>	<u>\$ 625,469</u>

The accompanying notes are
an integral part of these financial statements.

**THE HOUSING AND REDEVELOPMENT COMMISSION
OF THE CITY OF HOT SPRINGS, SOUTH DAKOTA
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS
18 MONTHS ENDED DECEMBER 31, 2011**

	Primary Government	Component Unit
OPERATING REVENUES		
Dwelling rental	\$ 846,793	\$ 48,878
Tenant revenue - other	24,185	955
Management fees earned	48,888	-
Total operating revenues	<u>919,866</u>	<u>49,833</u>
OPERATING EXPENSES		
Administration	321,147	17,753
Tenant services	595	-
Utilities	447,392	38,253
Maintenance and operation	312,426	27,299
Protective services	24,540	7,557
Insurance	59,875	3,579
Other general expenses	46,573	1,411
Amortization cost	641	-
Depreciation	300,346	21,366
Total operating expenses	<u>1,513,535</u>	<u>117,218</u>
Operating (loss)	<u>(593,669)</u>	<u>(67,385)</u>
NONOPERATING REVENUES (EXPENSES)		
HUD PHA grants	641,064	63,646
Investment income	10,367	4,402
Other income	9,143	11
Loss on disposal of capital assets	-	(1,226)
Interest expense	(160,270)	-
Total nonoperating revenues (expenses)	<u>500,304</u>	<u>66,833</u>
(Loss) income before contributions	(93,365)	(552)
Capital contributions	<u>38,412</u>	<u>-</u>
Change in net assets	(54,953)	(552)
Net assets - beginning of year	<u>2,114,774</u>	<u>617,266</u>
Net assets - end of year	<u>\$ 2,059,821</u>	<u>\$ 616,714</u>

The accompanying notes are
an integral part of these financial statements.

**THE HOUSING AND REDEVELOPMENT COMMISSION
OF THE CITY OF HOT SPRINGS, SOUTH DAKOTA,
STATEMENT OF CASH FLOWS - PAGE 1 OF 2
18 MONTHS ENDED DECEMBER 31, 2011**

	Primary Government	Component Unit
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from tenants	\$ 871,866	\$ 49,801
Other receipts	58,452	11
Payments to employees	(368,988)	-
Payments to others for goods and services	(844,428)	(90,199)
Payments in lieu of taxes	(25,365)	(1,721)
Tenant security deposits received	18,247	-
Tenant security deposits refunded	(7,841)	(350)
Net cash (used in) operating activities	<u>(298,057)</u>	<u>(42,458)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Operating grants	682,730	64,098
Deposits to mortgage escrow accounts	(177,083)	-
Withdrawals from mortgage escrow accounts	283,845	-
Net cash provided by non-capital financing activities	<u>789,492</u>	<u>64,098</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from long-term notes payable	1,800,000	-
Acquisition of capital assets	(1,893,864)	(84,572)
Capital grants received	38,412	-
Principal payments on long-term debt	(191,138)	-
Interest payments on long-term debt	(161,000)	-
Net cash (used in) capital and related financing activities	<u>(407,590)</u>	<u>(84,572)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of certificates of deposit	(607)	(2,581)
Proceeds from the sale of investments	-	34,618
Principal payments received on notes	-	14,706
Investment income	10,315	4,666
Net cash provided by investing activities	<u>9,708</u>	<u>51,409</u>
Net (decrease) increase in cash	93,553	(11,523)
Balances - beginning of year	97,258	186,672
Balances - end of year	<u>\$ 190,811</u>	<u>\$ 175,149</u>

The accompanying notes are an integral part
of these financial statements.

THE HOUSING AND REDEVELOPMENT COMMISSION
OF THE CITY OF HOT SPRINGS, SOUTH DAKOTA,
STATEMENT OF CASH FLOWS - PAGE 2 of 2
18 MONTHS ENDED DECEMBER 31, 2011

	Primary Government	Component Unit
Reconciliation of operating (loss) to net cash provided by operating activities:		
Operating (loss)	\$ (593,669)	\$ (67,385)
Adjustments to reconcile operating (loss) to net cash (used in) operating activities:		
Depreciation	300,346	21,366
Amortization	641	-
Other income	9,143	11
Loss on capital assets disposed	1,005	-
Bad debt recoveries	(584)	-
Change in operating assets and liabilities:		
(Increase) decrease in:		
Accounts receivable - tenants	653	32
Prepaid expenses	(5,547)	3,515
Inventories	112	-
Increase (decrease) in:		
Accounts payable - vendors	(37,502)	941
Accrued compensated absences	10,197	-
Prepaid rents	235	-
Due to other governments	6,507	(588)
Tenants security deposits	10,406	(350)
Net cash (used in) operating activities	<u>\$ (298,057)</u>	<u>\$ (42,458)</u>

The accompanying notes are an integral part
of these financial statements.

**THE HOUSING AND REDEVELOPMENT COMMISSION
OF THE CITY OF HOT SPRINGS, SOUTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Housing and Redevelopment Commission of the City of Hot Springs, South Dakota (Housing Commission) was organized in 1972 pursuant to the Municipal Housing and Redevelopment Act of South Dakota as a public housing agency formed to provide financial assistance for low income public housing pursuant to the United States Housing Act of 1937, (42 U.S.C. 1401, et seq.). The mayor and city commission appoint the five members of the governing board for five-year staggered terms. The public housing authority (PHA) board elects its own chairperson and recruits and employs its management personnel and other workers. The local governing board of the City of Hot Springs, South Dakota has the ability to veto or otherwise modify a housing commission's decision to construct a specific project and issue debt.

The primary government is the City of Hot Springs, South Dakota.

The Housing and Redevelopment Commission of the City of Hot Springs, South Dakota, complies with GASB Statement No. 14, *The Financial Reporting Entity*.

This statement establishes standards for defining and reporting on the financial reporting entity. It defines component units as legally separate organizations for which the elected officials of the primary government are financially accountable and other organizations for which the nature and significance of their relationship with a primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The discretely presented component unit is reported in a separate column in the combined financial statements to emphasize it is legally separate from the Housing Commission.

The Fall River Housing & Redevelopment Commission was organized in May 1976 under the authority of South Dakota Codified Law 11-7-7 as a public housing agency formed to provide financial assistance for low income public housing pursuant to the United States Housing Act of 1937, (42 U.S.C. 1401, et seq.). Four of the five commissioners serve on both Hot Springs and Fall River housing authorities and Fall River Housing and Redevelopment is managed by Hot Springs Housing and Redevelopment Commission.

No separate audited financial statements for the component unit are issued. Separate unaudited financial statements for The Fall River Housing & Redevelopment Commission can be obtained from their administrative office at 201 S River, Hot Springs, South Dakota 57747.

**THE HOUSING AND REDEVELOPMENT COMMISSION
OF THE CITY OF HOT SPRINGS, SOUTH DAKOTA**
NOTES TO FINANCIAL STATEMENTS, continued
DECEMBER 31, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Nature of Business

The Housing and Redevelopment Commission of the City of Hot Springs, South Dakota administers HUD Project SD019-001 under Annual Contribution Contract C-866, which consists of 100 conventional low rent units. In addition, the Housing Commission operates South Dakota Housing Development Authority (SDHDA) Project SD 99-H001-057 a historical landmark known as the Evans Hotel, which has 85 Section 8 units. The Housing Commission also acts as a management agent for the Fall River Housing and Redevelopment Commission which owns 24 units of the Section 8 housing in Edgemont, South Dakota.

There is a joint powers agreement between Pennington County Housing and Redevelopment Commission and the Housing and Redevelopment Commission of the City of Hot Springs, South Dakota. It is agreed to by the parties for Pennington County Housing and Redevelopment Commission to operate, manage and administer the HUD Section 8 Housing Choice Vouchers of Hot Springs in Fall River County, South Dakota. No monies have been exchanged nor are due as of and for the 18 months ended December 31, 2011, relating to this agreement.

Basis of Presentation

All activities of the Housing Commission are accounted for within a single proprietary (enterprise) fund. Proprietary funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The Housing Commission has elected not to apply FASB pronouncements issued after November 30, 1989, as included in the codification of U.S. generally accepted accounting principles (GAAP) standards.

**THE HOUSING AND REDEVELOPMENT COMMISSION
OF THE CITY OF HOT SPRINGS, SOUTH DAKOTA
NOTES TO FINANCIAL STATEMENTS, continued
DECEMBER 31, 2011**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Measurement Focus and Basis of Accounting

Measurement focus refers to what is being measured, basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the balance sheet and the operating statement present increases (revenues) and decreases (expenses) in net total assets. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized at the time the liability is incurred.

Cash and Cash Equivalents

For purposes of financial statement reporting, the Housing Commission considers all highly liquid investments (including restricted assets) with an original maturity of three months or less when purchased to be cash equivalents. Certificates of deposit, regardless of maturity, are not considered to be cash equivalents.

Accounts Receivable

All tenants accounts receivable are shown net of an allowance for doubtful accounts. Receivables from vacated tenants comprise the allowance.

Inventories

Inventories consist of supplies and are valued at cost.

Capital Assets

All acquisitions of property and equipment in excess of \$1,000 and all expenditures for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized.

**THE HOUSING AND REDEVELOPMENT COMMISSION
OF THE CITY OF HOT SPRINGS, SOUTH DAKOTA**
NOTES TO FINANCIAL STATEMENTS, continued
DECEMBER 31, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Capital Assets, continued

Capital assets are recorded at cost. Donated capital assets are valued at their estimated fair value on the date donated. Interest costs incurred during construction of capital assets are capitalized along with other capital asset costs. Depreciation is computed principally by the straight-line method over the following estimated useful lives:

	<u>Years</u>
Buildings	40
Modernization improvements	15
Improvements other than buildings	15
Equipment	3-10

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the entity. For the Commission, these revenues are charges for dwelling rents. Operating expenses are the necessary costs incurred to provide the service that is the primary activity of the entity. Revenues and expenses not meeting these definitions are reported as nonoperating. The primary nonoperating revenue is HUD PHA grants.

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expense during the reporting period. Actual results could differ from those estimates.

Equity Classifications

Equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

**THE HOUSING AND REDEVELOPMENT COMMISSION
OF THE CITY OF HOT SPRINGS, SOUTH DAKOTA**
NOTES TO FINANCIAL STATEMENTS, continued
DECEMBER 31, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Equity Classifications, continued

- b. Restricted net assets - Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions of enabling legislation.
- c. Unrestricted net assets - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Application of Net Assets

It is the Commission's policy to first use restricted net assets (if any), prior to the use of unrestricted net assets, when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Other Postemployment Benefits

The Housing Commission does not provide any other postemployment benefits.

2. REPORTING PERIOD

The Housing Commission applied for and received permission from the U.S. Department of Housing and Urban Development (HUD) to change its year end from June 30, to December 31. HUD stated that the change would occur December 31, 2011 with a reporting period of 18 months. Therefore, the primary government is complying with this request as of December 31, 2011.

The component unit has a fiscal year end of September 30. For these financial statements, the component unit reporting period is 12 months ended September 30, 2011. Fall River Housing and Redevelopment Commission reported its September 30, 2010 information with the Housing and Redevelopment Commission of the City of Hot Springs, South Dakota's June 30, 2010 audited financial statements.

**THE HOUSING AND REDEVELOPMENT COMMISSION
OF THE CITY OF HOT SPRINGS, SOUTH DAKOTA**
NOTES TO FINANCIAL STATEMENTS, continued
DECEMBER 31, 2011

3. **DEPOSITS AND INVESTMENTS CREDIT RISK, CONCENTRATIONS OF CREDIT RISK AND INTEREST RATE RISK**

Various restrictions on deposits and investments are imposed by statutes. These restrictions are summarized below:

Deposits - The Housing Commission's deposits are made in qualified public depositories as defined by SDCL 4-6A-1. Qualified depositories are required by SDCL 4-6A-3 to maintain at all times, segregated from their other assets, eligible collateral having a value equal to at least 100 percent of the public deposit accounts which exceed deposit insurance such as the FDIC and NCUA. In lieu of pledging eligible securities, a qualified public depository may furnish irrevocable standby letters of credit issued by federal home loan banks accompanied by written evidence of that bank's public debt rating which may not be less than "AA" or a qualified public depository may furnish a corporate surety bond of a corporation authorized to do business in South Dakota.

Investments - As stated in SDCL 11-7-31, a commission shall have power to invest any funds held in reserves or debt service funds, or any funds not required for immediate disbursement, in property or securities in which savings banks may legally invest funds subject to their control. In general, SDCL 4-5-6 permits housing authority funds to be invested in (a) securities of the United States and securities guaranteed by the United States government either directly or indirectly; or (b) repurchase agreements fully collateralized by securities described in (a); or in shares of an open-end, no-load fund administered by an investment company whose investments are in securities described in (a) and repurchase agreements described in (b). Also, SDCL 4-5-9 requires that investments shall be in the physical custody of the political subdivision or may be deposited in a safekeeping account with any bank or trust company designated by the political subdivision as its fiscal agent.

Custodial Credit Risk – Deposits – The risk that, in the event of a depository failure, the Commission's deposits may not be returned to it. The Housing Commission does not have a deposit policy for custodial risk. As of December 31, 2011, the Commission's deposits were fully insured or collateralized and were not exposed to custodial credit risk.

Investments – As of December 31, 2011, the Housing Commission had no investments.

**THE HOUSING AND REDEVELOPMENT COMMISSION
OF THE CITY OF HOT SPRINGS, SOUTH DAKOTA**
NOTES TO FINANCIAL STATEMENTS, continued
DECEMBER 31, 2011

3. DEPOSITS AND INVESTMENTS CREDIT RISK, CONCENTRATIONS OF CREDIT RISK AND INTEREST RATE RISK, continued

Authorized Investments by the Commission - The Housing Commission does not have a formal investment policy that further limits investments beyond those imposed by statutes.

Interest Rate Risk – The Housing Commission does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk – State law limits eligible investments for the Commission, as discussed above. The Housing Commission has no investment policy that would further limit its investment choices. As of December 31, 2011, the Housing Commission had no investments.

Concentration of Credit Risk – The Commission places no limit on the amount that may be invested in any one issuer. As of December 31, 2011, the Housing Commission had no investments.

4. MORTGAGE ESCROW DEPOSITS HELD IN TRUST AND RESTRICTED NET ASSETS

The Housing Commission has entered into a Regulatory Agreement with SDHDA in conjunction with the Evans Hotel Project which requires certain funds on deposit in designated reserve accounts for restricted use in paying designated costs and expenses. Those funds are held in trust by SDHDA and are invested by them in cash deposits or reinvestments in obligations of or fully guaranteed as to principal by the United States of America. These deposits totaled \$184,598 at December 31, 2011.

**THE HOUSING AND REDEVELOPMENT COMMISSION
OF THE CITY OF HOT SPRINGS, SOUTH DAKOTA
NOTES TO FINANCIAL STATEMENTS, continued
DECEMBER 31, 2011**

5. CAPITAL ASSETS

Capital asset activity for the 18 months ended December 31, 2011 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Primary Government:				
Capital assets not being depreciated:				
Land	\$ 108,775	\$ -	\$ -	\$ 108,775
Construction in progress	63,470	16,463	(63,470)	16,463
Total capital assets not being depreciated	<u>172,245</u>	<u>16,463</u>	<u>(63,470)</u>	<u>125,238</u>
Capital assets being depreciated:				
Buildings and improvements	3,842,416	1,930,837	-	5,773,253
Furniture and equipment	157,819	17,574	(35,074)	140,319
Idle capital assets	1,293,588	-	-	1,293,588
Total capital assets being depreciated	<u>5,293,823</u>	<u>1,948,411</u>	<u>(35,074)</u>	<u>7,207,160</u>
Less accumulated depreciation for:				
Buildings and improvements	1,884,508	279,354	-	2,163,862
Furniture and equipment	80,020	24,420	(25,646)	78,794
Idle capital assets	75,757	-	-	75,757
Total accumulated depreciation	<u>2,040,285</u>	<u>303,774</u>	<u>(25,646)</u>	<u>2,318,413</u>
Total capital assets being depreciated, net	<u>3,253,538</u>	<u>1,644,637</u>	<u>(9,428)</u>	<u>4,888,747</u>
Capital assets, net	<u>\$ 3,425,783</u>	<u>\$ 1,661,100</u>	<u>\$ (72,898)</u>	<u>\$ 5,013,985</u>

	Balances	Increases	Decreases	Balances
Component Unit:				
Capital assets not being depreciated:				
Land	\$ 23,021	\$ -	\$ -	\$ 23,021
Construction in progress	-	-	-	-
Total capital assets not being depreciated	<u>23,021</u>	<u>-</u>	<u>-</u>	<u>23,021</u>
Capital assets being depreciated:				
Buildings and improvements	600,665	84,572	(1,873)	683,364
Equipment	51,034	-	(14,989)	36,045
Total capital assets being depreciated	<u>651,699</u>	<u>84,572</u>	<u>(16,862)</u>	<u>719,409</u>
Less accumulated depreciation for:				
Buildings and improvements	432,768	20,220	(1,653)	451,335
Equipment	42,914	1,146	(13,983)	30,077
Total accumulated depreciation	<u>475,682</u>	<u>21,366</u>	<u>(15,636)</u>	<u>481,412</u>
Total capital assets being depreciated, net	<u>176,017</u>	<u>63,206</u>	<u>(1,226)</u>	<u>237,997</u>
Capital assets, net	<u>\$ 199,038</u>	<u>\$ 63,206</u>	<u>\$ (1,226)</u>	<u>\$ 261,018</u>

**THE HOUSING AND REDEVELOPMENT COMMISSION
OF THE CITY OF HOT SPRINGS, SOUTH DAKOTA**
NOTES TO FINANCIAL STATEMENTS, continued
DECEMBER 31, 2011

6. IDLE CAPITAL ASSETS

During fiscal years ending June 30, 2005, 2006 and 2007, the Housing Commission contracted for the installation of a geothermal heating system. Portions of the system have been brought online, but the system is being fueled by propane. The geothermal heat exchange portion of the system is not operational without significant modification. The Commission is pursuing options to convert the existing system to a closed-loop system, which is anticipated to function properly. The Housing Commission's granting agency has made no commitment to provide the funding for necessary improvements.

The carrying value of the system is reflected in Note 4 as idle capital assets at cost less a capital impairment loss recognized as of the fiscal year ending June 30, 2006. Depreciation is no longer being recognized on the system. The fair value of the idle capital assets has not been determined.

7. DUE TO OTHER GOVERNMENTS

Due to other governments at December 31, 2011, consists of payments in lieu of taxes computed at 10% of gross rents less utilities.

8. LONG-TERM LIABILITIES

A summary of changes in long-term liabilities is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Notes Payable	\$ 1,672,625	\$ 1,800,000	\$ (191,136)	\$ 3,281,489	\$ 128,398
Compensated Absences	<u>6,422</u>	<u>8,238</u>	<u>(3,101)</u>	<u>11,559</u>	<u>6,146</u>
Total	<u>\$ 1,679,047</u>	<u>\$ 1,808,238</u>	<u>\$ (194,237)</u>	<u>\$ 3,293,048</u>	<u>\$ 134,544</u>

**THE HOUSING AND REDEVELOPMENT COMMISSION
OF THE CITY OF HOT SPRINGS, SOUTH DAKOTA**
NOTES TO FINANCIAL STATEMENTS, continued
DECEMBER 31, 2011

8. LONG-TERM LIABILITIES, continued

Debt payable at December 31, 2011 is comprised of the following:

Mortgage payable - South Dakota Housing Development Authority, monthly installments of \$18,738 including interest at 6.78% interest, due September 2020; secured by land, building and equipment	\$ 1,481,489
Mortgage payable (2 nd mortgage) – South Dakota Housing Development Authority, monthly installments of \$17,747 deferred until January 2012 including interest at 2.50%, due December 2025; secured by land, building and equipment	1,000,000
Mortgage payable (3 rd mortgage) – South Dakota Housing Development Authority, irregular installments deferred until September 2021 including interest at 0%, due September 2029; secured by land, building and equipment	<u>800,000</u>
Total	<u>\$ 3,281,489</u>

In connection with obtaining the financing from South Dakota Housing Development Authority, the Project has entered into a Regulatory Agreement which provides, in part, for the following:

- a. Rents may not exceed those established by South Dakota Housing Development Authority.

**THE HOUSING AND REDEVELOPMENT COMMISSION
OF THE CITY OF HOT SPRINGS, SOUTH DAKOTA**
NOTES TO FINANCIAL STATEMENTS, continued
DECEMBER 31, 2011

8. LONG-TERM LIABILITIES, continued

- b. The Project is required to keep certain funds on deposit in designated "reserve" accounts for restricted use in paying designated costs and expenses. These accounts, whether in the form of a cash deposit or reinvestment in obligations of or fully guaranteed as to principal by the United States of America, shall at all times be under the control of South Dakota Housing Development Authority (SDHDA). The development cost escrow reserve fund was established with loan funds at loan closing. This fund is available in the event of any required design modifications of the project or to cover any delinquent mortgage payments. The residual receipts reserve is funded annually by the project. The annual required deposit varies and generally represents the excess of cash and certain receivables over certain current obligations of the project at year end. The funds are accumulated for the financial benefit of the Project and may be utilized only at the sole discretion of the SDHDA. Other required reserves are for replacements, decorating, taxes and insurance. These reserves require monthly deposits and are designated for the purposes described by their titles.
- c. The Project may not make any capital expenditures not approved by the SDHDA.
- d. The term of the Regulatory Agreement is to maturity or termination of the insured mortgage.

The annual requirements to amortize debt outstanding as of December 31, 2011, excluding compensated absences are as follows:

Year Ending December 31,	Principal	Interest	Total
2012	128,398	96,462	224,860
2013	137,379	87,481	224,860
2014	146,988	77,872	224,860
2015	157,270	67,590	224,860
2016	168,270	56,590	224,860
2017- 2021	743,184	99,927	843,111
2022 - 2026	1,060,000	64,842	1,124,842
2027 and thereafter	740,000	-	740,000
Total	<u>\$ 3,281,489</u>	<u>\$ 550,764</u>	<u>\$ 3,832,253</u>

**THE HOUSING AND REDEVELOPMENT COMMISSION
OF THE CITY OF HOT SPRINGS, SOUTH DAKOTA**
NOTES TO FINANCIAL STATEMENTS, continued
DECEMBER 31, 2011

9. MANAGEMENT AGREEMENT

The Housing Commission entered into a Regulatory Agreement Assumption Agreement with South Dakota Housing Development Authority on November 30, 2007. The agreement provided in part for the payment of a management fee in an amount equal to 6.1% of the gross rents received during the year excluding vacancies.

10. SEGMENT INFORMATION

The Evans Property, a business activity of the Housing and Redevelopment Commission of the City of Hot Springs, South Dakota provides 85 Section 8 housing units financed partially by user charges. Segment information for these separately identifiable activities that have one or more bonds or other debt instruments outstanding with a revenue stream pledged in support of that debt, as well as a requirement to account for the activity's revenues, expenses, gains and losses, assets and liabilities apart from other activities within the same fund or in different funds is as follows:

18 Months Ended December 31, 2011

	<u>Business Activity</u>
CONDENSED STATEMENT OF	
NET ASSETS	
Assets	
Current and other assets	\$ 244,621
Capital assets	3,191,416
Total Assets	<u>3,436,037</u>
Liabilities	
Interfund payables	-
Other current liabilities	187,523
Noncurrent liabilities	3,153,091
Total Liabilities	<u>3,340,614</u>
Net Assets	
Invested in capital assets, net of related debt	(90,073)
Restricted	184,598
Unrestricted	898
Total Net Assets	<u>\$ 95,423</u>

**THE HOUSING AND REDEVELOPMENT COMMISSION
OF THE CITY OF HOT SPRINGS, SOUTH DAKOTA**
NOTES TO FINANCIAL STATEMENTS, continued
DECEMBER 31, 2011

10. SEGMENT INFORMATION, continued

18 Months Ended December 31, 2011

CONDENSED STATEMENT OF
REVENUES, EXPENSES, AND
CHANGES IN NET ASSETS

Operating revenues	\$ 379,632
Depreciaton expense	(145,194)
Other operating expenses	(471,049)
Operating (loss)	<u>(236,611)</u>

Nonoperating revenues (expenses)

HUD PHA grants	432,354
Investment and other income	18,115
Interest and amortization expense	(160,516)

Capital contributions

Changes in net assets	<u>53,342</u>
-----------------------	---------------

Beginning net assets

42,081

Ending net assets

\$ 95,423

CONDENSED STATEMENT OF
CASH FLOWS

Net cash provided (used) by:

Operating activities	\$ (156,619)
Noncapital financing activities	536,450
Capital and related financing activities	(385,288)
Investing activities	8,972
Net increase (decrease)	<u>3,515</u>

Beginning cash and cash equivalents

21,341

Ending cash and cash equivalents

\$ 24,856

**THE HOUSING AND REDEVELOPMENT COMMISSION
OF THE CITY OF HOT SPRINGS, SOUTH DAKOTA**
NOTES TO FINANCIAL STATEMENTS, continued
DECEMBER 31, 2011

11. RETIREMENT PLAN

All employees participate in the South Dakota Retirement System (SDRS), a cost-sharing, multiple employer public employee retirement system established to provide retirement benefits for employees of the State of South Dakota and its political subdivisions. The SDRS provides retirement, disability and survivor benefits. The right to receive retirement benefits vests after three years of credited service. Authority for establishing, administering and amending plan provisions are found in South Dakota Codified Law 3-12. The SDRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the SDRS, PO Box 1098, Pierre, SD 57501-1098 or by calling (605) 773-3731.

General employees are required by state statute to contribute 6% of their salary to the plan. State statute also requires the employer to contribute an amount equal to the employee's contribution. State statute also requires the employer to make an additional contribution in the amount of 6.2 percent for any compensation exceeding the maximum taxable amount for social security for general employees only. The Housing Commission's share of contributions to the SDRS for the 18 months ended December 31, 2011, and the fiscal years ended June 30, 2010 and 2009 were \$15,151, \$10,137, and \$9,188, respectively, equal to the required contributions each year.

12. RISK MANAGEMENT

The Housing Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees, and natural disasters. During the period ended December 31, 2011 the Commission managed its risks as follows:

Employee Health Insurance

The Housing Commission purchases health insurance for its employees from a commercial insurance carrier. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

Liability Insurance

The Housing Commission purchases liability insurance risks related to torts, theft, or damage to property; and errors and omissions of public officials from a commercial insurance carrier. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

**THE HOUSING AND REDEVELOPMENT COMMISSION
OF THE CITY OF HOT SPRINGS, SOUTH DAKOTA
NOTES TO FINANCIAL STATEMENTS, continued
DECEMBER 31, 2011**

12. RISK MANAGEMENT, continued

Worker's Compensation

The Housing Commission purchases liability insurance for worker's compensation from a commercial carrier. Settled claims resulting from these risks have not exceeded the liability coverage over the past three years.

Unemployment Benefits

The Housing Commission provides coverage for unemployment benefits by paying into the Unemployment Compensation Fund established by state law and managed by the State of South Dakota.

13. COMPONENT UNIT TRANSACTIONS

Fall River Housing & Redevelopment Commission paid management fees totaling \$10,693 and a maintenance and operations contract in the amount of \$12,723 to the Housing and Redevelopment Commission of the City of Hot Springs, South Dakota for the year ended September 30, 2011.

SUPPLEMENTARY INFORMATION

THE HOUSING AND REDEVELOPMENT COMMISSION
OF THE CITY OF HOT SPRINGS, SOUTH DAKOTA
FINANCIAL DATA SCHEDULE
FOR THE 18 MONTHS ENDED DECEMBER 31, 2011

Line Item No.	Description	Total Programs	Elimination	14.850a Total Low Rent and Capital Fund	14.182 N/C S/R Section 8	Component Unit
Balance Sheet						
111	Cash-unrestricted	\$ 547,888	\$ -	\$ 184,485	\$ 2,411	\$ 360,992
112	Cash-restricted-modernization and development	\$ 184,598	\$ -	\$ -	\$ 184,598	\$ -
113	Cash-other restricted	\$ -	\$ -	\$ -	\$ -	\$ -
114	Cash-tenant security deposits	\$ 51,131	\$ -	\$ 25,660	\$ 22,445	\$ 3,026
115	Cash - Restricted for payment of current liability	\$ -	\$ -	\$ -	\$ -	\$ -
100	Total Cash	\$ 783,617	\$ -	\$ 210,145	\$ 209,454	\$ 364,018
121	Accounts receivable - PHA projects	\$ -	\$ -	\$ -	\$ -	\$ -
122	Accounts receivable - HUD other projects	\$ -	\$ -	\$ -	\$ -	\$ -
122-010	Accounts receivable - HUD other projects - Operating Subsidy	\$ -	\$ -	\$ -	\$ -	\$ -
122-020	Accounts receivable - HUD other projects - Capital fund	\$ -	\$ -	\$ -	\$ -	\$ -
122-030	Accounts receivable - HUD other projects - Other	\$ 218	\$ -	\$ -	\$ 218	\$ -
	Total Accounts receivable - HUD other projects	\$ 218	\$ -	\$ -	\$ 218	\$ -
124	Account receivable - other government	\$ -	\$ -	\$ -	\$ -	\$ -
125	Accounts receivable - miscellaneous	\$ -	\$ -	\$ -	\$ -	\$ -
125-010	Account receivable - miscellaneous - Not For Profit	\$ -	\$ -	\$ -	\$ -	\$ -
125-020	Account receivable - miscellaneous - Partnership	\$ -	\$ -	\$ -	\$ -	\$ -
125-030	Account receivable - miscellaneous - Joint Venture	\$ -	\$ -	\$ -	\$ -	\$ -
125-040	Account receivable - miscellaneous - Tax Credit	\$ -	\$ -	\$ -	\$ -	\$ -
125-050	Account receivable - miscellaneous - Other	\$ -	\$ -	\$ -	\$ -	\$ -
125-060	Other - Comment					
	Total Account receivable - miscellaneous	\$ -	\$ -	\$ -	\$ -	\$ -
126	Accounts receivable - tenants	\$ 3,311	\$ -	\$ 886	\$ 2,108	\$ 317
126.1	Allowance for doubtful accounts - tenants	\$ (1,066)	\$ -	\$ (329)	\$ (541)	\$ (196)
126.2	Allowance for doubtful accounts - other	\$ -	\$ -	\$ -	\$ -	\$ -
127	Notes, Loans, & Mortgages Receivable - Current	\$ -	\$ -	\$ -	\$ -	\$ -
128	Fraud recovery	\$ -	\$ -	\$ -	\$ -	\$ -
128.1	Allowance for doubtful accounts - fraud	\$ -	\$ -	\$ -	\$ -	\$ -
129	Accrued interest receivable	\$ 524	\$ -	\$ 212	\$ -	\$ 312
120	Total receivables, net of allowance for doubtful accounts	\$ 2,987	\$ -	\$ 769	\$ 1,785	\$ 433
131	Investments - unrestricted	\$ -	\$ -	\$ -	\$ -	\$ -
132	Investments - restricted	\$ -	\$ -	\$ -	\$ -	\$ -
135	Investments - Restricted for payment of current liability	\$ -	\$ -	\$ -	\$ -	\$ -
142	Prepaid expenses and other assets	\$ 23,000	\$ -	\$ 4,225	\$ 18,775	\$ -
143	Inventories	\$ 20,358	\$ -	\$ 9,308	\$ 11,050	\$ -
143.1	Allowance for obsolete inventories	\$ -	\$ -	\$ -	\$ -	\$ -
144	Inter program - due from	\$ -	\$ -	\$ -	\$ -	\$ -
145	Assets held for sale	\$ -	\$ -	\$ -	\$ -	\$ -
150	Total Current Assets	\$ 829,962	\$ -	\$ 224,447	\$ 241,064	\$ 364,451
161	Land	\$ 131,796	\$ -	\$ 56,875	\$ 51,900	\$ 23,021
162	Buildings	\$ 7,723,503	\$ -	\$ 3,728,605	\$ 3,311,536	\$ 683,364
163	Furniture, equipment and machinery - dwellings	\$ 119,602	\$ -	\$ -	\$ 83,557	\$ 36,045
164	Furniture, equipment and machinery - administration	\$ 56,762	\$ -	\$ 56,762	\$ -	\$ -
165	Leasehold improvements	\$ -	\$ -	\$ -	\$ -	\$ -
166	Accumulated depreciation	\$ (2,799,825)	\$ -	\$ (2,036,136)	\$ (282,277)	\$ (481,412)
167	Construction in progress	\$ 16,463	\$ -	\$ 16,463	\$ -	\$ -
168	Infrastructure	\$ 26,700	\$ -	\$ -	\$ 26,700	\$ -
160	Total capital assets, net of accumulated depreciation	\$ 5,275,003	\$ -	\$ 1,822,569	\$ 3,191,416	\$ 261,018
171	Notes, Loans, & mortgages receivable - Non-current	\$ -	\$ -	\$ -	\$ -	\$ -
171-010	Notes, Loans, & mortgages receivable - Non-current - Not For Profit	\$ -	\$ -	\$ -	\$ -	\$ -
171-020	Notes, Loans, & mortgages receivable - Non-current - Partnership	\$ -	\$ -	\$ -	\$ -	\$ -
171-030	Notes, Loans, & mortgages receivable - Non-current - Joint Venture	\$ -	\$ -	\$ -	\$ -	\$ -
171-040	Notes, Loans, & mortgages receivable - Non-current - Tax Credit	\$ -	\$ -	\$ -	\$ -	\$ -
171-050	Notes, Loans, & mortgages receivable - Non-current - Other	\$ -	\$ -	\$ -	\$ -	\$ -
171-060	Other - Comment					
	Notes, Loans, & mortgages receivable - Non-current	\$ -	\$ -	\$ -	\$ -	\$ -
172	Notes, Loans, & mortgages receivable - Noncurrent - past due	\$ -	\$ -	\$ -	\$ -	\$ -
172-010	Notes, Loans, & mortgages receivable - Non-current - past due - Not For Profit	\$ -	\$ -	\$ -	\$ -	\$ -
172-020	Notes, Loans, & mortgages receivable - Non-current - Partnership	\$ -	\$ -	\$ -	\$ -	\$ -
172-030	Notes, Loans, & mortgages receivable - Non-current - Joint Venture	\$ -	\$ -	\$ -	\$ -	\$ -
172-040	Notes, Loans, & mortgages receivable - Non-current - Tax Credit	\$ -	\$ -	\$ -	\$ -	\$ -
172-050	Notes, Loans, & mortgages receivable - Non-current - Other	\$ -	\$ -	\$ -	\$ -	\$ -
172-060	Other - Comment					
	Notes, Loans, & mortgages receivable - Non-current - past due	\$ -	\$ -	\$ -	\$ -	\$ -
173	Grants receivable - Non-current	\$ -	\$ -	\$ -	\$ -	\$ -
174	Other assets	\$ -	\$ -	\$ -	\$ -	\$ -
174-010	Other assets - Not For Profit	\$ -	\$ -	\$ -	\$ -	\$ -

See Independent Auditor's Report

**THE HOUSING AND REDEVELOPMENT COMMISSION
OF THE CITY OF HOT SPRINGS, SOUTH DAKOTA
FINANCIAL DATA SCHEDULE
FOR THE 18 MONTHS ENDED DECEMBER 31, 2011**

Line Item No.	Description	Total Programs	Elimination	14.850a	14.182	Component Unit
				Total Low Rent and Capital Fund	N/C S/R Section 8	
	BIHARTO STREET					
174-020	Other assets - Partnership	\$ -	\$ -	\$ -	\$ -	\$ -
174-030	Other assets - Joint Venture	\$ -	\$ -	\$ -	\$ -	\$ -
174-040	Other assets - Tax Credit	\$ -	\$ -	\$ -	\$ -	\$ -
174-050	Other assets - Other	\$ 3,557	\$ -	\$ -	\$ 3,557	\$ -
174-060	Other - Comment			Unamortized mortgage finance expenses		
	Other assets	\$ 3,557	\$ -	\$ -	\$ 3,557	\$ -
176	Investment in Joint venture					
176-010	Investment in Joint venture - Not For Profit	\$ -	\$ -	\$ -	\$ -	\$ -
176-020	Investment in Joint venture - Partnership	\$ -	\$ -	\$ -	\$ -	\$ -
176-030	Investment in Joint venture - Joint Venture	\$ -	\$ -	\$ -	\$ -	\$ -
176-040	Investment in Joint venture - Tax Credit	\$ -	\$ -	\$ -	\$ -	\$ -
176-050	Investment in Joint venture - Other	\$ -	\$ -	\$ -	\$ -	\$ -
176-060	Other - Comment					
	Investment in Joint venture	\$ -	\$ -	\$ -	\$ -	\$ -
180	Total Non-current Assets	\$ 5,278,560	\$ -	\$ 1,822,569	\$ 3,194,973	\$ 261,018
190	Total Assets	\$ 6,108,522	\$ -	\$ 2,047,016	\$ 3,436,037	\$ 625,469
311	Bank overdraft	\$ -	\$ -	\$ -	\$ -	\$ -
312	Accounts payable <= 90 days	\$ 38,180	\$ -	\$ 13,197	\$ 21,012	\$ 3,971
313	Accounts payable > 90 days past due	\$ -	\$ -	\$ -	\$ -	\$ -
321	Accrued wage/payroll taxes payable	\$ -	\$ -	\$ -	\$ -	\$ -
322	Accrued compensated absences - current portion	\$ 11,559	\$ -	\$ 11,559	\$ -	\$ -
324	Accrued contingency liability	\$ -	\$ -	\$ -	\$ -	\$ -
325	Accrued interest payable	\$ 8,637	\$ -	\$ -	\$ 8,637	\$ -
331	Accounts payable - HUD PHA Programs					
331-010	Accounts payable - HUD PHA Programs - Operating Subsidy	\$ -	\$ -	\$ -	\$ -	\$ -
331-020	Accounts payable - HUD PHA Programs - Capital fund	\$ -	\$ -	\$ -	\$ -	\$ -
331-030	Accounts payable - HUD PHA Programs - Other	\$ 625	\$ -	\$ -	\$ -	\$ 625
	Accounts payable - HUD PHA Programs	\$ 625	\$ -	\$ -	\$ -	\$ 625
332	Accounts payable - PHA Projects	\$ -	\$ -	\$ -	\$ -	\$ -
333	Accounts payable - other government	\$ 34,338	\$ -	\$ 26,193	\$ 7,012	\$ 1,133
341	Tenant security deposits	\$ 51,131	\$ -	\$ 25,660	\$ 22,445	\$ 3,026
342	Deferred revenue					
342-010	Deferred revenue - Operating Subsidy	\$ -	\$ -	\$ -	\$ -	\$ -
342-020	Deferred revenue - Capital fund	\$ -	\$ -	\$ -	\$ -	\$ -
342-030	Deferred revenue - Other	\$ 968	\$ -	\$ 949	\$ 19	\$ -
	Deferred revenue	\$ 968	\$ -	\$ 949	\$ 19	\$ -
343	Current portion of long-term debt - capital projects/mortgage revenue bonds					
343-010	CFFP	\$ -	\$ -	\$ -	\$ -	\$ -
343-020	Capital Projects/ Mortgage Revenue	\$ 128,398	\$ -	\$ -	\$ 128,398	\$ -
	Current portion of long-term debt - capital projects/mortgage revenue bonds	\$ 128,398	\$ -	\$ -	\$ 128,398	\$ -
344	Current portion of long-term debt - operating borrowings	\$ -	\$ -	\$ -	\$ -	\$ -
345	Other current liabilities	\$ -	\$ -	\$ -	\$ -	\$ -
346	Accrued liabilities - other	\$ -	\$ -	\$ -	\$ -	\$ -
347	Inter program - due to	\$ -	\$ -	\$ -	\$ -	\$ -
348	Loan liability - current					
348-010	Loan liability - current - Not For Profit	\$ -	\$ -	\$ -	\$ -	\$ -
348-020	Loan liability - current - Partnership	\$ -	\$ -	\$ -	\$ -	\$ -
348-030	Loan liability - current - Joint Venture	\$ -	\$ -	\$ -	\$ -	\$ -
348-040	Loan liability - current - Tax Credit	\$ -	\$ -	\$ -	\$ -	\$ -
348-050	Loan liability - current - Other	\$ -	\$ -	\$ -	\$ -	\$ -
348-060	Other - Comment					
	Loan liability - current	\$ -	\$ -	\$ -	\$ -	\$ -
310	Total Current Liabilities	\$ 273,836	\$ -	\$ 77,558	\$ 187,523	\$ 8,755
351	Capital Projects/Mortgage Revenue Bonds					
351-010	Long-term debt - CFFP	\$ -	\$ -	\$ -	\$ -	\$ -
351-020	Long-term - Capital Projects/ Mortgage Revenue	\$ 3,153,091	\$ -	\$ -	\$ 3,153,091	\$ -
	Capital Projects/ Mortgage Revenue Bonds	\$ 3,153,091	\$ -	\$ -	\$ 3,153,091	\$ -
352	Long-term debt, net of current - operating borrowings	\$ -	\$ -	\$ -	\$ -	\$ -
353	Non-current liabilities - other	\$ -	\$ -	\$ -	\$ -	\$ -
354	Accrued compensated absences- Non-current	\$ 5,060	\$ -	\$ 5,060	\$ -	\$ -
355	Loan liability - Non-current					
355-010	Loan liability - Non-current - Not For Profit	\$ -	\$ -	\$ -	\$ -	\$ -
355-020	Loan liability - Non-current - Partnership	\$ -	\$ -	\$ -	\$ -	\$ -
355-030	Loan liability - Non-current - Joint Venture	\$ -	\$ -	\$ -	\$ -	\$ -
355-040	Loan liability - Non-current - Tax Credit	\$ -	\$ -	\$ -	\$ -	\$ -
355-050	Loan liability - Non-current - Other	\$ -	\$ -	\$ -	\$ -	\$ -

See Independent Auditor's Report

THE HOUSING AND REDEVELOPMENT COMMISSION
OF THE CITY OF HOT SPRINGS, SOUTH DAKOTA
FINANCIAL DATA SCHEDULE
FOR THE 18 MONTHS ENDED DECEMBER 31, 2011

Line Item No.	Description	Total Programs	Elimination	14.850a	14.182	Component Unit
				Total Low Rent and Capital Fund	N/C S/R Section 8	
	Balances					
355-060	Other - Comment					
	Loan liability - Non-current	\$ -	\$ -	\$ -	\$ -	\$ -
356	FASB 5 Liabilities	\$ -	\$ -	\$ -	\$ -	\$ -
357	Accrued Pension and OPEB Liability	\$ -	\$ -	\$ -	\$ -	\$ -
350	Total Non-current liabilities	\$ 3,158,151	\$ -	\$ 5,060	\$ 3,153,091	\$ -
300	Total Liabilities	\$ 3,431,987	\$ -	\$ 87,618	\$ 3,340,614	\$ 8,755
508.1	Invested in capital assets, net of related debt	\$ 1,993,514	\$ -	\$ 1,822,569	\$ (90,073)	\$ 261,018
511.1	Restricted Net Assets	\$ 184,598	\$ -	\$ -	\$ 184,598	\$ -
512.1	Unrestricted Net Assets	\$ 498,423	\$ -	\$ 141,829	\$ 898	\$ 355,696
513	Total Equity/Net Assets	\$ 2,676,535	\$ -	\$ 1,964,398	\$ 95,423	\$ 616,714
600	Total Liabilities and Equity/Net assets	\$ 6,108,522	\$ -	\$ 2,047,016	\$ 3,436,037	\$ 625,469

**THE HOUSING AND REDEVELOPMENT COMMISSION
OF THE CITY OF HOT SPRINGS, SOUTH DAKOTA
FINANCIAL DATA SCHEDULE
FOR THE 18 MONTHS ENDED DECEMBER 31, 2011**

				14.850a	14.872	14.182	
Line Item No.	Description	Total Programs	Elimination	Low Rent	Capital Funds	N/C S/R Section 8	Component Unit:
Income Statement							
70300	Net tenant rental revenue	\$ 895,671	\$ -	\$ 481,269	\$ -	\$ 365,524	\$ 48,878
70400	Tenant revenue - other	\$ 25,140	\$ -	\$ 10,077	\$ -	\$ 14,108	\$ 955
70500	Total Tenant Revenue	\$ 920,811	\$ -	\$ 491,346	\$ -	\$ 379,632	\$ 49,833
70600	HUD PHA operating grants						
70600-010	Housing assistance payments	\$ 496,000	\$ -	\$ -	\$ -	\$ 432,354	\$ 63,646
70600-020	Ongoing administrative fees earned	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
70600-030	Hard to house fee revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
70600-031	FSS Coordinator	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
70600-040	Actual independent public accountant audit costs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
70600-050	Total preliminary fees earned	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
70600-060	All other fees	\$ 208,710	\$ -	\$ 181,996	\$ 26,714	\$ -	\$ -
70600-070	Admin fee calculation description	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	HUD PHA operating grants	\$ 704,710	\$ -	\$ 181,996	\$ 26,714	\$ 432,354	\$ 63,646
70610	Capital grants	\$ 38,412	\$ -	\$ -	\$ 38,412	\$ -	\$ -
70710	Management Fee	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
70720	Asset Management Fee	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
70730	Book-Keeping Fee	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
70740	Front Line Service Fee	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
70750	Other Fees	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
70700	Total Fee Revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
70800	Other government grants	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
71100	Investment income - unrestricted						
71100-010	Housing Assistance Payment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
71100-020	Administrative Fee	\$ 5,802	\$ -	\$ 1,395	\$ -	\$ 5	\$ 4,402
	Investment income - unrestricted	\$ 5,802	\$ -	\$ 1,395	\$ -	\$ 5	\$ 4,402
71200	Mortgage interest income	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
71300	Proceeds from disposition of assets held for sale	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
71310	Cost of sale of assets	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
71400	Fraud recovery						
71400-010	Housing Assistance Payment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
71400-020	Administrative Fee	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	Fraud recovery	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
71500	Other revenue	\$ 34,626	\$ (127,398)	\$ 152,870	\$ -	\$ 9,143	\$ 11
71600	Gain or loss on sale of capital assets	\$ (1,226)	\$ -	\$ -	\$ -	\$ -	\$ (1,226)
72000	Investment income - restricted						
72000-010	Housing Assistance Payment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
72000-020	Administrative Fee	\$ 8,967	\$ -	\$ -	\$ -	\$ 8,967	\$ -
	Investment income - restricted	\$ 8,967	\$ -	\$ -	\$ -	\$ 8,967	\$ -
70000	Total Revenue	\$ 1,712,102	\$ (127,398)	\$ 827,607	\$ 65,126	\$ 830,101	\$ 116,666
91100	Administrative salaries	\$ 125,580	\$ -	\$ 125,580	\$ -	\$ -	\$ -
91200	Auditing fees	\$ 51,774	\$ -	\$ 15,284	\$ 23,765	\$ 10,225	\$ 2,500
91300	Management Fee	\$ -	\$ (58,947)	\$ -	\$ -	\$ 48,254	\$ 10,693
91310	Book-Keeping Fee	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
91400	Advertising and Marketing	\$ 10,746	\$ -	\$ 6,649	\$ -	\$ 2,113	\$ 1,984
91500	Employee benefit contributions - administrative	\$ 72,685	\$ -	\$ 72,685	\$ -	\$ -	\$ -
91600	Office Expenses	\$ 26,757	\$ -	\$ 21,891	\$ 2,025	\$ 2,252	\$ 589
91700	Legal Expense	\$ 461	\$ -	\$ -	\$ -	\$ 461	\$ -
91800	Travel	\$ 1,925	\$ -	\$ 1,925	\$ -	\$ -	\$ -
91810	Allocated Overhead	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
91900	Other	\$ 38,279	\$ -	\$ 28,648	\$ -	\$ 7,644	\$ 1,987
91000	Total Operating-Administrative	\$ 328,207	\$ (58,947)	\$ 272,662	\$ 25,790	\$ 70,949	\$ 17,753
92000	Asset Management Fee	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
92100	Tenant services - salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
92200	Relocation Costs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
92300	Employee benefit contributions - tenant services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
92400	Tenant services - other	\$ 595	\$ -	\$ 465	\$ -	\$ 130	\$ -
92500	Total Tenant Services	\$ 595	\$ -	\$ 465	\$ -	\$ 130	\$ -
93100	Water	\$ 51,493	\$ -	\$ 17,685	\$ -	\$ 27,210	\$ 6,598
93200	Electricity	\$ 173,274	\$ -	\$ 79,953	\$ -	\$ 66,725	\$ 26,596
93300	Gas	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
93400	Fuel	\$ 189,058	\$ -	\$ 79,519	\$ -	\$ 109,539	\$ -
93500	Labor	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
93600	Sewer	\$ 71,107	\$ -	\$ 42,185	\$ -	\$ 24,576	\$ 4,346
93700	Employee benefit contributions - utilities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
93800	Other utilities expense	\$ 713	\$ -	\$ -	\$ -	\$ -	\$ 713
93000	Total Utilities	\$ 485,645	\$ -	\$ 219,342	\$ -	\$ 228,050	\$ 38,253

See Independent Auditor's Report

**THE HOUSING AND REDEVELOPMENT COMMISSION
OF THE CITY OF HOT SPRINGS, SOUTH DAKOTA
FINANCIAL DATA SCHEDULE
FOR THE 18 MONTHS ENDED DECEMBER 31, 2011**

				14.850a	14.872	14.182		
Line Item No.	Description	Total Programs	Elimination	Low Rent	Capital Funds	N/C S/R Section 8	Component Unit	
Income Statement								
94100	Ordinary maintenance and operations - labor	\$ 127,403	\$ -	\$ 127,403	\$ -	\$ -	\$ -	
94200	Ordinary maintenance and operations - materials and other	\$ 47,246	\$ -	\$ 19,640	\$ 924	\$ 26,532	\$ 150	
94300	Ordinary Maintenance and Operations Contracts							
94300-010	Ordinary Maintenance and Operations Contracts - Garbage and Trash Removal Contracts	\$ 25,033	\$ -	\$ 10,597	\$ -	\$ 9,590	\$ 4,846	
94300-020	Ordinary Maintenance and Operations Contracts - Heating & Cooling Contracts	\$ 1,030	\$ -	\$ 345	\$ -	\$ 685	\$ -	
94300-030	Ordinary Maintenance and Operations Contracts - Snow Removal Contracts	\$ 1,004	\$ -	\$ 279	\$ -	\$ 185	\$ 540	
94300-040	Ordinary Maintenance and Operations Contracts - Elevator Maintenance Contracts	\$ 23,923	\$ -	\$ 18,265	\$ -	\$ 5,658	\$ -	
94300-050	Ordinary Maintenance and Operations Contracts - Landscape & Grounds Contracts	\$ 13,205	\$ -	\$ 6,686	\$ -	\$ 1,118	\$ 5,401	
94300-060	Ordinary Maintenance and Operations Contracts - Unit Turnaround Contracts	\$ 398	\$ -	\$ 398	\$ -	\$ -	\$ -	
94300-070	Ordinary Maintenance and Operations Contracts - Electrical Contracts	\$ 919	\$ -	\$ 919	\$ -	\$ -	\$ -	
94300-080	Ordinary Maintenance and Operations Contracts - Plumbing Contracts	\$ 149	\$ -	\$ 149	\$ -	\$ -	\$ -	
94300-090	Ordinary Maintenance and Operations Contracts - Extermination Contracts	\$ 5,117	\$ -	\$ 3,248	\$ -	\$ 1,869	\$ -	
94300-100	Ordinary Maintenance and Operations Contracts - Janitorial Contracts	\$ 900	\$ -	\$ 900	\$ -	\$ -	\$ -	
94300-110	Ordinary Maintenance and Operations Contracts - Routine Maintenance Contracts	\$ 15,224	\$ -	\$ 234	\$ -	\$ 11,351	\$ 3,639	
94300-120	Ordinary Maintenance and Operations Contracts - Misc Contracts	\$ 20,615	\$ (68,451)	\$ 20,615	\$ -	\$ 55,728	\$ 12,723	
	Ordinary Maintenance and Operations Contracts	\$ 107,517	\$ (68,451)	\$ 62,635	\$ -	\$ 86,184	\$ 27,149	
94500	Employee benefit contribution - ordinary maintenance	\$ 44,836	\$ -	\$ 44,836	\$ -	\$ -	\$ -	
94000	Total Maintenance	\$ 327,002	\$ (68,451)	\$ 254,514	\$ 924	\$ 112,716	\$ 27,299	
95100	Protective services - labor	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
95200	Protective services - other contract costs	\$ 32,097	\$ -	\$ 3,784	\$ -	\$ 20,756	\$ 7,557	
95300	Protective services - other	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
95500	Employee benefit contributions - protective services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
95000	Total Protective Services	\$ 32,097	\$ -	\$ 3,784	\$ -	\$ 20,756	\$ 7,557	
96110	Property Insurance	\$ 50,634	\$ -	\$ 19,685	\$ -	\$ 27,370	\$ 3,579	
96120	Liability Insurance	\$ 697	\$ -	\$ 697	\$ -	\$ -	\$ -	
96130	Workmen's Compensation	\$ 11,113	\$ -	\$ 11,113	\$ -	\$ -	\$ -	
96140	All Other Insurance	\$ 1,010	\$ -	\$ 1,010	\$ -	\$ -	\$ -	
96100	Total Insurance Premiums	\$ 63,454	\$ -	\$ 32,505	\$ -	\$ 27,370	\$ 3,579	
96200	Other general expenses	\$ 4,274	\$ -	\$ -	\$ -	\$ 4,274	\$ -	
96210	Compensated absences	\$ 8,973	\$ -	\$ 8,973	\$ -	\$ -	\$ -	
96300	Payments in lieu of taxes	\$ 33,005	\$ -	\$ 26,193	\$ -	\$ 5,679	\$ 1,133	
96400	Bad debt - tenant rents	\$ 1,454	\$ -	\$ 329	\$ -	\$ 1,125	\$ -	
96500	Bad debt - mortgages	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
96600	Bad debt - other	\$ 278	\$ -	\$ -	\$ -	\$ -	\$ 278	
96800	Severance expense	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
96000	Total Other General Expenses	\$ 47,984	\$ -	\$ 35,495	\$ -	\$ 11,078	\$ 1,411	
96710	Interest of Mortgage (or Bonds) Payable	\$ 159,875	\$ -	\$ -	\$ -	\$ 159,875	\$ -	
96720	Interest on Notes Payable (Short and Long Term)	\$ 395	\$ -	\$ 395	\$ -	\$ -	\$ -	
96730	Amortization of Bond Issue Costs	\$ 641	\$ -	\$ -	\$ -	\$ 641	\$ -	
96700	Total Interest Expense and Amortization Cost	\$ 160,911	\$ -	\$ 395	\$ -	\$ 160,516	\$ -	
96900	Total Operating Expenses	\$ 1,445,895	\$ (127,398)	\$ 819,162	\$ 26,714	\$ 631,565	\$ 95,852	
97000	Excess Revenue Over Operating Expenses	\$ 266,207	\$ -	\$ 8,445	\$ 38,412	\$ 198,536	\$ 20,814	
97100	Extraordinary maintenance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
97200	Casualty losses- Non-capitalized	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
97300	Housing assistance payments							
97300-010	Mainstream I & 5 year	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
97300-020	Home-Ownership	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
97300-025	Litigation	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
97300-030	Hope IV	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
97300-035	Moving to Work	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
97300-040	Tenant Protection	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
97300-050	All Other	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
	Housing assistance payments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
97350	HAP Portability-ia	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
97400	Depreciation expense	\$ 321,712	\$ -	\$ 149,601	\$ 5,551	\$ 145,194	\$ 21,366	
97500	Fraud losses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	

See Independent Auditor's Report

**THE HOUSING AND REDEVELOPMENT COMMISSION
OF THE CITY OF HOT SPRINGS, SOUTH DAKOTA
FINANCIAL DATA SCHEDULE
FOR THE 18 MONTHS ENDED DECEMBER 31, 2011**

				14.850a	14.872	14.182		
Line Item No.	Description	Total Programs	Elimination	Low Rent	Capital Funds	N/C S/R Section 8	Component Unit	
Income Statement								
97800	Dwelling units rent expense	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
90000	Total Expenses	\$ 1,767,607	\$ -	\$ 968,763	\$ 32,265	\$ 776,759	\$ 117,218	
10010	Operating transfer in	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
10020	Operating transfer out	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
10030	Operating transfers from / to primary government							
10030-010	Not For Profit	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
10030-020	Partnership	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
10030-030	Joint Venture	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
10030-040	Tax Credit	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
10030-050	Other	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
10030-060	Other Comment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
10030	Operating transfers from / to primary government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
10040	Operating transfers from / to component unit	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
10070	Extraordinary items, net gain/loss	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
10080	Special items, net gain/loss	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
10091	Inter Project Excess Cash Transfer In	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
10092	Inter Project Excess Cash Transfer Out	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
10093	Transfers between Programs and Projects - in	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
10094	Transfers between Programs and Projects - out	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
10100	Total other financing sources (uses)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
10000	Excess (Deficiency) of Revenue Over (Under) Expenses	\$ (55,505)	\$ -	\$ (141,156)	\$ 32,861	\$ 53,342	\$ (552)	
11020	Required Annual Debt Principal Payments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
11030	Beginning equity	\$ 2,732,041	\$ -	\$ 1,991,075	\$ 81,619	\$ 42,081	\$ 617,266	
11040	Prior period adjustments, equity transfers, and correction of errors							
11040-010	Prior period adjustments and correction of errors - Editable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
11040-020	Prior period adjustments and correction of errors - Editable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
11040-030	Prior period adjustments and correction of errors - Editable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
11040-040	Prior period adjustments and correction of errors - Editable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
11040-050	Prior period adjustments and correction of errors - Editable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
11040-060	Prior period adjustments and correction of errors - Editable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
11040-070	Equity Transfers	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
11040-080	Equity Transfers	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
11040-090	Equity Transfers	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
11040-100	Equity Transfers	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
11040-110	Equity Transfers	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	Prior period adjustments, equity transfers, and correction of errors	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
11170	Administrative Fee Equity							
11170-001	Administrative Fee Equity- Beginning Balance	\$ -						
11170-010	Administrative Fee Revenue	\$ -						
11170-020	Hard to House Fee Revenue	\$ -						
11170-021	FSS Coordinator Grant	\$ -						
11170-030	Audit Costs	\$ -						
11170-040	Investment Income	\$ -						
11170-045	Fraud Recovery Revenue	\$ -						
11170-050	Other Revenue	\$ -						
11170-051	Comment for Other Revenue							
11170-060	Total Admin Fee Revenues	\$ -						
11170-080	Total Operating Expenses	\$ -						
11170-090	Depreciation	\$ -						
11170-095	Housing Assistance Portability In	\$ -						
11170-100	Other Expenses	\$ -						
11170-101	Comment for Other Expense							
11170-110	Total Expenses	\$ -						
11170-002	Net Administrative Fee	\$ -						

See Independent Auditor's Report

**THE HOUSING AND REDEVELOPMENT COMMISSION
OF THE CITY OF HOT SPRINGS, SOUTH DAKOTA
FINANCIAL DATA SCHEDULE
FOR THE 18 MONTHS ENDED DECEMBER 31, 2011**

Line Item No.	Description	Total Programs	Elimination	14.850a	14.872	14.182	Component Unit
				Low Rent	Capital Funds	N/C S/R Section 8	
Income Statement							
11170-003	Administrative Fee Equity- Ending Balance	\$ -					
	Administrative Fee Equity	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
11180	Housing Assistance Payments Equity						
11180-001	Housing Assistance Payments Equity - Beginning Balance	\$ -					
11180-010	Housing Assistance Payment Revenues	\$ -					
11180-015	Fraud Recovery Revenue	\$ -					
11180-020	Other Revenue	\$ -					
11180-021	Comment for Other Revenue						
11180-025	Investment Income	\$ -					
11180-030	Total HAP Revenues	\$ -					
11180-080	Housing Assistance Payments	\$ -					
11180-090	Other Expenses	\$ -					
11180-091	Comments for Other Expenses						
11180-100	Total Housing Assistance Payments Expenses	\$ -					
11180-002	Net Housing Assistance Payments	\$ -					
11180-003	Housing Assistance Payments Equity-Ending Balance	\$ -					
	Housing Assistance Payments Equity	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
11190	Unit Months Available						
11190-210	Total ACC HCV Units	\$ 3,618	\$ -	\$ 1,800		\$ 1,530	\$ 288
11190-220	Unfunded Units	\$ -	\$ -	\$ -		\$ -	\$ -
11190-230	Other Adjustments	\$ -	\$ -	\$ -		\$ -	\$ -
11190	Unit Months Available	\$ 3,618	\$ -	\$ 1,800		\$ 1,530	\$ 288
11210	Unit Months Leased	\$ 3,066	\$ -	\$ 1,574		\$ 1,283	\$ 209
11270	Excess Cash	\$ 65,093	\$ -	\$ 65,093	\$ -	\$ -	\$ -
11610	Land Purchases	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
11620	Building Purchases	\$ 2,031,872	\$ -	\$ 2,768	\$ 96,672	\$ 1,847,860	\$ 84,572
11630	Furniture & Equipment-Dwelling Purchases	\$ 12,365	\$ -	\$ -	\$ -	\$ 12,365	\$ -
11640	Furniture & Equipment-Administrative Purchases	\$ 5,209	\$ -	\$ -	\$ 5,209	\$ -	\$ -
11650	Leasehold Improvements Purchases	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
11660	Infrastructure Purchases	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
13510	CFPP Debt Service Payments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
13901	Replacement Housing Factor Funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

THE HOUSING AND REDEVELOPMENT COMMISSION
OF THE CITY OF HOT SPRINGS, SOUTH DAKOTA
FINANCIAL DATA SCHEDULE
FOR THE 18 MONTHS ENDED DECEMBER 31, 2011

Financial Statements		
Element	Description	Value
G3000-005	Financial Statements Using Basis Other Than GAAP	NO
G3000-010	Fund Opinion(s)	
-	Qualified Opinion	NO
	Unqualified Opinion	YES
-	Adverse Opinion	NO
	Disclaimer Opinion	NO
G3000-020	"Going Concern" Indicator	NO
G3000-030	Significant Deficiency Indicator	YES
G3000-230	Does the Deficiency relate to the Low Rent or Capital Fund?	YES
G3000-240	Enter number of occurrences that relate to the Low Rent or Capital Fund Program.	2
G3000-040	Material Weakness Indicator	NO
G3000-250	Does the material weakness relate to the Low Rent or Capital Fund Program?	NO
G3000-260	Enter number of occurrences that relate to the Low Rent or Capital Fund Program.	-
G3000-050	Material Noncompliance Indicator	NO
G3000-270	Does the non-compliance relate to the Low Rent or Capital Fund Program?	NO
G3000-280	Enter number of occurrences that relate to the Low Rent or Capital Fund Program.	
G3000-060	Fraud	NO
G3000-290	Does the activity relate to the Low Rent or Capital Fund Program?	NO
G3000-300	Enter number of occurrences that relate to the Low Rent or Capital Fund Program.	-
G3000-070	Illegal Acts	NO
G3000-310	Does the activity relate to the Low Rent or Capital Fund Program?	NO
G3000-320	Enter number of occurrences that relate to the Low Rent or Capital Fund Program.	
G3000-080	Abuse	NO
G3000-330	Does the activity relate to the Low Rent or Capital Fund Program?	NO
G3000-340	Enter number of occurrences that relate to the Low Rent or Capital Fund Program.	-

If you have multiple opinion units and opinions, please reflect the opinions here. Details of these opinions will be given on the following tab.

See Independent Auditor's Report

THE HOUSING AND REDEVELOPMENT COMMISSION
OF THE CITY OF HOT SPRINGS, SOUTH DAKOTA
FINANCIAL DATA SCHEDULE
FOR THE 18 MONTHS ENDED DECEMBER 31, 2011

Financial Statement Fund Opinion Details		
Element	Description	Details
G3000-200	Fund Type of the fund containing the listed program	MAJOR
G3000-210	Fund Opinion of the fund containing the listed program	UNQUALIFIED
G3000-220	Is the departure or qualification related to the Capital Fund or Low Rent Programs?	N/A

IF YOU DO NOT RECEIVE AN A-133 AUDIT, DO NOT COMPLETE THIS TAB.

Federal Programs		
Element	Description	Value
G4000-020	Dollar Threshold Used to Distinguish Type A and Type B Programs	\$ 300,000
G4000-030	Low Risk Auditee Indicator	NO
G4000-040	Indicator-Any Audit Findings Disclosed that are Required to be Reported	NO
G4000-080	Was a Schedule of Prior Audit Findings prepared?	YES
G4100-040	Total Federal Awards Expended (This cell is populated by G4100-030 from the "Federal Award Details" Tab)	\$ 743,122

THE HOUSING AND REDEVELOPMENT COMMISSION
OF THE CITY OF HOT SPRINGS, SOUTH DAKOTA
FINANCIAL DATA SCHEDULE
FOR THE 18 MONTHS ENDED DECEMBER 31, 2011

FOR ALL NON-FEDERAL PROGRAMS LISTED, PLEASE LEAVE THOSE COLUMNS
IF YOU DO NOT RECEIVE AN A-133 AUDIT, DO NOT COMPLETE THIS TAB.

Federal Award Details		
Element	Description	Details
G4100-030	Amount Expended	743,122
G4200-010	Major Federal Program Indicator	YES
G4200-050	Type of Opinion on Major Federal Program	UNQUALIFIED
G4200-060	Number of A-133 Compliance Audit Findings	0
G4200-100	Significant Deficiency Indicator	NO
G4200-200	Number of Significant Deficiencies	0
G4200-110	Material Weakness Indicator	NO
G4200-210	Number of Material Weaknesses	0
G4200-120	Material Noncompliance Indicator	NO
G4200-220	Number of Material Noncompliance	0
G4200-070	Audit Finding Reference Number	
G4200-090	Are Awards Received Directly from a Federal Agency?	YES
G4100-050	Total Amount of Questioned Costs	0

Supplemental Information		
Element	Description	Value
G3100-040	SAS 29 "in relation to" opinion on the Financial Data Schedule	FAIRLY STATED
G3100-050	Is MD&A omitted?	NO
G3100-060	Is other supplemental information omitted?	NO

**THE HOUSING AND REDEVELOPMENT COMMISSION
OF THE CITY OF HOT SPRINGS, SOUTH DAKOTA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE 18 MONTHS ENDED DECEMBER 31, 2011**

<u>Federal Grantor/Pass-Through Grantor Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Disbursements/ Expenditures</u>
Primary Government:		
U.S. DEPARTMENT OF THE HOUSING AND URBAN DEVELOPMENT:		
Direct Funding:		
Public and Indian Housing Program:		
Operating Subsidy	14.850	\$ 181,996
Public Housing Capital Fund	14.872	65,126
Pass through South Dakota Housing Development Authority:		
Lower Income Housing Assistance Program -		
Section 8 New Construction/Substantial Rehabilitation	14.182	<u>432,354</u>
Total Federal Funding - Primary Government		679,476
Component Unit:		
U.S. DEPARTMENT OF THE HOUSING AND URBAN DEVELOPMENT:		
Pass through South Dakota Housing Development Authority:		
Lower Income Housing Assistance Program -		
Section 8 New Construction/Substantial Rehabilitation	14.182	<u>63,646</u>
Total Federal Funding		<u>\$ 743,122</u>

Note 1: This accompanying schedule of expenditures of federal awards includes the federal grant activity of the Commission and is presented on the modified full accrual basis of accounting unless otherwise noted. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some of the amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements.



certified public accountants

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Commissioners
The Housing and Redevelopment Commission
of the City of Hot Springs, South Dakota

We have audited the financial statements of the business-type activities and the discretely presented component unit of **The Housing and Redevelopment Commission of the City of Hot Springs, South Dakota (a component unit of the City of Hot Springs, South Dakota)** (Housing Commission) as of and for the 18 months ended December 31, 2011, which collectively comprise the Housing Commission's basic financial statements and have issued our report thereon dated September 25, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the Housing Commission is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Housing Commission's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Housing Commission's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Housing Commission's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Housing Commission's financial statements will not be prevented, or detected and corrected on a timely basis.

Madison Office

112 South Egan Avenue
PO Box 505
Madison, SD 57042
605-256-9165
Fax: 605-256-2872

Yankton Office

207 Douglas Avenue
PO Box 1018
Yankton, SD 57078
605-665-4401
Fax: 605-665-0592

Sioux Falls Office

507 West 10th Street
PO Box 876
Sioux Falls, SD 57101
605-336-0372
Fax: 605-336-6842

Member of

Private Companies Practice Section
American Institute of CPAs
National Associated CPA Firms
South Dakota Society of CPAs

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies in internal control over financial reporting. We consider Findings 2011-1 and 2011-2 to be significant deficiencies. A *significant deficiency* is a deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Housing Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

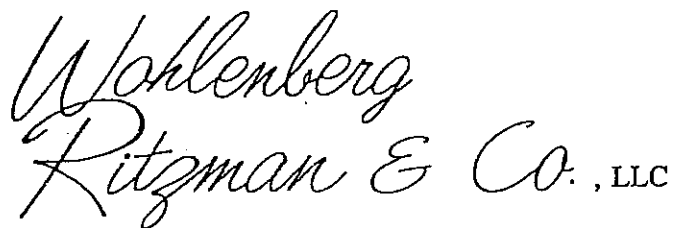
The Housing and Redevelopment Commission of the City of Hot Springs, South Dakota's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the Housing Commission's responses and, accordingly, we express no opinion on them.

We noted certain matters that we reported to management of the Housing Commission in a separate communication dated September 25, 2012.

This report is intended solely for the information and use of management, Board of Commissioners, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, as required by South Dakota Codified Law 4-11-11 and OMB Circular A-133 paragraph .320, this report is a matter of public record and its distribution is not limited.

Wohlschlag Ritzman + Co., LLC

Yankton, South Dakota
September 25, 2012



certified public accountants

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Commissioners
The Housing and Redevelopment Commission
of the City of Hot Springs, South Dakota

Compliance

We have audited **The Housing and Redevelopment Commission of the City of Hot Springs, South Dakota (a component unit of the City of Hot Springs, South Dakota)** (Housing Commission) compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Housing Commission's major federal programs for the 18 months ended December 31, 2011. The Housing Commission's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Housing Commission's management. Our responsibility is to express an opinion on the Housing Commission's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Housing Commission's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Housing Commission's compliance with those requirements.

Madison Office

112 South Egan Avenue
PO Box 505
Madison, SD 57042
605-256-9165
Fax: 605-256-2872

Yankton Office

207 Douglas Avenue
PO Box 1018
Yankton, SD 57078
605-665-4401
Fax: 605-665-0592

Sioux Falls Office

507 West 10th Street
PO Box 876
Sioux Falls, SD 57101
605-336-0372
Fax: 605-336-6842

Member of

Private Companies Practice Section
American Institute of CPAs
National Associated CPA Firms
South Dakota Society of CPAs

In our opinion, The Housing and Redevelopment Commission of the City of Hot Springs, South Dakota complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the 18 months ended December 31, 2011.

Internal Control Over Compliance

The management of the Housing Commission is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Housing Commission's internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Housing Commission's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

The Housing and Redevelopment Commission of the City of Hot Springs, South Dakota's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the Housing Commission's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of management, Board of Commissioners, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, as required by South Dakota Codified Law 4-11-11 and OMB Circular A-133 paragraph .320, this report is a matter of public record and its distribution is not limited.

Wohlberg Ritzman + Co., LLC

Yankton, South Dakota
September 25, 2012

**THE HOUSING AND REDEVELOPMENT COMMISSION
OF THE CITY OF HOT SPRINGS, SOUTH DAKOTA
SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2011**

PRIOR AUDIT FINDINGS

Finding 2010-1 has been repeated as Finding 2011-1.

Finding 2010-2 has been repeated as Finding 2011-2.

**THE HOUSING AND REDEVELOPMENT COMMISSION
OF THE CITY OF HOT SPRINGS, SOUTH DAKOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE 18 MONTHS ENDED DECEMBER 31, 2011**

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? _____ yes X no
- Significant deficiencies identified that are not considered to be material weaknesses X yes _____ none reported

Noncompliance material to financial statements noted?

_____ yes X no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ yes X no
- Significant deficiencies identified that are not considered to be material weaknesses _____ yes X none reported

Type of auditor's report issued on compliance for major programs

Unqualified

Audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133

_____ yes X no

Identification of major programs:

CFDA Numbers
14.182

Name of Federal Program or Cluster
Section 8 New Construction /
Substantial Rehabilitation

Dollar Threshold used to distinguish between Type A and Type B Programs:

\$300,000

Auditee qualified as low-risk auditee?

_____ yes X no

**THE HOUSING AND REDEVELOPMENT COMMISSION
OF THE CITY OF HOT SPRINGS, SOUTH DAKOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - continued
FOR THE 18 MONTHS ENDED DECEMBER 31, 2011**

SECTION II - FINDINGS - FINANCIAL STATEMENTS AUDIT

Finding 2011-1 - Segregation of Duties (Repeat Finding)

Significant Deficiency

Condition:

Our study and evaluation of internal control structure policies and procedures disclosed that there is a weakness in controls in effect at The Housing and Redevelopment Commission of the City of Hot Springs, South Dakota (Housing Commission) relating to a lack of segregation of duties.

Questioned Costs: None.

Criteria:

Proper segregation of duties results in increased reliability of reported financial data and decreased potential for the loss of public assets.

Effect:

At times there is an inadequate segregation of duties for these accounting functions. Although the staff attempts to divide the various tasks so that one person does not control a transaction from beginning to end, that is not always possible.

Recommendation:

Management and the Board of Commissioners should constantly be aware of this condition and realize that the concentration of duties and responsibilities in a limited number of individuals is not desirable from a control point of view. The most effective controls lie in the Management's knowledge of the matters relating to the Housing Commission's operations and their monthly review of expenditures and financial information.

**THE HOUSING AND REDEVELOPMENT COMMISSION
OF THE CITY OF HOT SPRINGS, SOUTH DAKOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - continued
FOR THE 18 MONTHS ENDED DECEMBER 31, 2011**

SECTION II - FINDINGS - FINANCIAL STATEMENTS AUDIT, continued

Finding 2011-2 - Preparation of Financial Statements (Repeat Finding)

Significant Deficiency

Condition:

We, as auditors, were requested to draft the audited financial statements and related footnote disclosures as part of our audit services. The Housing Commission does not have a documented internal control system over financial reporting designed to provide for the preparation of the financial statements, including the accompanying footnotes as required by U.S. generally accepted accounting principles (GAAP) standards.

Questioned Costs: None.

Criteria:

We are now required as auditors to communicate this situation to the Housing Commission as an internal control deficiency. Ultimately, it is management's responsibility to provide for the preparation of the Housing Commission's financial statements and footnotes, and the responsibility of the auditor to determine the fairness of presentation of those statements.

Effect:

The undocumented preparation of financial statements is not unusual for Housing Commissions of your size.

As in prior years we have instructed management to review a draft of the auditor-prepared financial statements in detail for their accuracy; we have answered any questions they might have and have encouraged research of any accounting guidance in connection with the adequacy and appropriateness of classification and disclosure in the Housing Commission's financial statements.

Recommendation:

We recommend that the auditee person responsible for the preparation of financial statements receive appropriate training in order that management can take responsibility for the preparation of its financial statements.

**THE HOUSING AND REDEVELOPMENT COMMISSION
OF THE CITY OF HOT SPRINGS, SOUTH DAKOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - continued
FOR THE 18 MONTHS ENDED DECEMBER 31, 2011**

**SECTION III - FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD
PROGRAMS AUDIT**

There are no major federal award program findings.

Hot Springs Housing & Redevelopment Commission
201 South River Street
Hot Springs, SD 57747
(605) 745-4067

October 3, 2012

Wohlenberg Ritzman & Co., LLC
207 Douglas Avenue
P. O. Box 1018
Yankton, SD 57078

Re: Findings Response
Audit of Financial Statements for June 30, 2010

To Whom It May Concern:

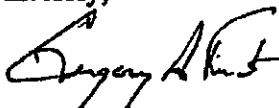
This letter is our response to the findings reported in the audit of financial statements for our agency for the year ended on June 30, 2010.

Finding 2010-1 – Segregation of Duties - The weakness in controls within this agency related to inadequate segregation of duties for accounting functions is the result of the limited size of the agency which precludes staffing at a level sufficient to provide an ideal environment for internal controls. We are aware of this problem and we continue to try to provide compensating controls wherever and whenever possible and practical.

Finding 2010-2 – Preparation of Financial Statements - The weakness in documented internal controls over financial reporting designed to provide for the preparation of the financial statements is typical of housing commissions of our size. As Executive Director of this agency, I am aware of our responsibility for the content of the financial statements and I continue to seek and receive appropriate training in the review of the auditor-prepared financial statements, as well as monthly review of the contents of the transactions in the general ledger and as these entries are reported in monthly operating statements. Appropriate training includes classes and publications of the National Association of Housing and Redevelopment Officials (NAHRO) on national, regional and statewide levels.

Should you need any clarification of these responses to the referenced findings, please contact me.

Sincerely,



Gregory A. Foust
Executive Director